Whither Nigeria? Political Economy of Reforms

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Abstract

Nigeria has experienced in the past few years the impact of an articulate and a coherent reform policy. Despite progress made there is evidence that the neoliberal paradigm behind the reforms faces major challenges which a country like Nigeria must tackle if it is to sustain the fruits of reforms. Reforms to have sustainable impacts must be broad based in its articulation, and relevant to the society it tries to change. There is skepticism that liberal democratic institutions in a dependent and peripheral capitalist economy like ours would deliver pro-poor policies in the absence of effective popular participation. The country has demonstrated the political will to drive and sustain reforms for growth and development. However the country is challenged to sustain the current reform programme to ensure that the gains made so far are consolidated.

Nigeria has in the last few years experienced the impact of a far-reaching reform programme articulated in response to years of economic crisis and global developments. The Nigerian reform agenda has been a response to failed policies in the 80s and 90s and the associated rise in poverty and marginalization of the majority of the people. While the case for reforms is incontrovertible, the strategies and policies, to be sustainable, must reflect the realities of the peculiar situation of the country. Current reforms recognize the various dimensions of development and in a holistic manner attempts at inducing change in society. Reforms around the world where they have been undertaken always face challenges. One would expect major challenges to a reform agenda that confronts existing social, economic and political relations and contradictions, and that aims at transforming long held values and power relations. Whither Nigeria? Nigerian social scientists are raising this question at an opportune time as reforms are beginning to manifest in concrete changes. It is important for social scientist in the country to engage the process and call attention to salient issues critical for the success of reforms. In the light of the country's experience with adjustments policies in the past a series of questions are raised by current reforms. Given our history of adjustments and specifically the interests that drove past policy processes are we in a position to sustain a reform agenda that calls for radical changes in the way we manage our economy and society? Can current reforms address the fundamental

contradictions in society without which the issues of marginalization and pauperization cannot be effectively solved? Are current reforms pro-poor enough to make Nigeria meet, at least, the millennium development Goals' targets on poverty reduction? Without a regime of mass participation in governance and the democratic process can reforms work for the poor? Can reform policies address the needs and aspiration of the people without them having a direct voice in policy articulation and implementation? What of the class character of the state and the impact of this on the nature of reforms? Social scientist can help us answer these questions which must be understood if reforms are to meet their objectives. Reforms to be successful must be broad based in its articulation, rigorous in its conceptualization and relevant to the society it tries to change. Social scientist must play a greater role in bringing clarity to the nature and character of reforms required in societies like ours. Ideas, knowledge and analysis are critical for developing countries that must operate within a global context. Whither Nigeria? It is clear that years of marginalization of the majority of the Nigerian people amidst huge human and natural resources have led to cynicism and lack of faith in the state to promote development. Social exclusion is no longer sustainable as Nigerians are increasingly questioning the logic of state activities and demanding greater involvement in managing their destiny. Changing global environment has propelled growing global consensus against poverty, authoritarianism, denial of democratic rights of peoples, human rights abuses and putting pressure on countries to reform. Reforms must however be internally driven. There must be broad consensus around reform internally for it to be successful and sustainable.

While reforms must be internally driven it must be recognized that they have to be undertaken within a sub-regional and regional context to more effectively meet the challenges posed by globalization. Reforms within the- sub-region and region are important for reforms in individual countries. Reforms have become a basic requirement for third world countries grappling with crisis and underdevelopment and needing external assistance. Africa in the last few decades has been a focus of world's attention due to a series of crisis, some of which were natural and others man made. Wars, famine, economic and political crisis of various degrees and intensity have drawn the attention of the world to the failures of decades of development efforts. While the continent parades some of the poorest economies in the world it seems to be unable to move/to a growth trajectory that would make it a serious participant in the world's economy. The 'level' of poverty and marginalization across the continent suggests a radical re-thinking of strategies and orthodoxies. African Social Scientists must be challenged enough to continuously undertake in-depth research in a holistic manner on aspects of development. We need to understand how Africa has had to cope with profound changes brought about by decolonization* urbanization, industrialization, democratization and globalization. Each of these processes has posed unique challenges which require articulate responses. Inability of most of Africa to respond

appropriately to these processes has accounted for the difficulties faced in addressing fundamental problems of development. Africa provides the broad context in which Nigeria's development within the current process of globalization should be examined. Although Nigeria is better placed than many African countries and has indeed contributed to the transformation of the continent it faces similar challenges and has to face series of reforms to reposition itself. As one of the better-endowed countries in the continent its performance has not justified its potentials. The history of Nigeria's economic development shows periods of severe economic crisis associated with increased poverty and marginalization of the masses and periods of mild recoveries. Policy efforts at recovery often yielded limited success in the sense that social development is always ignored. With each crisis the social condition of the core poor worsens and in some experiences the number of core poor increased. Today the country like other African countries is undergoing major changes as a result of reform policies adopted by government.

Perspective on Reforms

African countries adopted reforms and structural adjustments in the 1980s and since then have been encouraged to maintain these reforms as the only option open to them to transform their economies and provide the basis for sustainable development. The reality today is that despite these adjustments Africa still accounts for a large proportion of the World's poor. The continent accounts for the bulk of the countries at the bottom of the world economic table. Still at the periphery of the global economy, heavily dependent on Western Europe and America, African economies are not competitive enough to benefit directly from global growth processes. This experience is at a time in history when the world is witnessing unprecedented growth. The growth of science and technology and information science has transformed the world and created opportunities that could solve long-standing development problems. There are growing concerns that rapid economic growth globally has generated uneven social development. Today rapid growth in science and technology and globalization generate the same concerns. The reform process must appreciate the economic, social, cultural and political causes and implications of the widening gap in social development. The process should confront the reality that poverty and violent conflict continue to afflict so much of Africa and humanity. A common challenge today is improving our understanding of social development issues and the relationship between economic and social development. We need to raise more issues on the relevance of the dominant paradigm, which has not particularly resulted in major changes in the life of the majority of the African people. We must continue to probe whether mainstream development processes and policies are achieving their intended outcomes. We need to understand how market-based strategies and economic growth need to be complimented by institutions that protect and empower the disadvantaged, and promote

equality and social justice. We need to understand the conceptual foundations of such policies and the actors and organizations proposing reforms or radical alternatives. Reforms must be about the welfare of human beings. They must address the fundamental contradictions inherent in the current system and empower people to take control of their destiny. They should minimize the suffering of the people in both the short and the long run. Social science research should provide input into reform agendas and implementation modalities of policies.

To better understand the dynamics of change in society within the context of the current phase of globalization, a political economy analysis is imperative. We need to understand the process of resources and power distribution among different social groups and conflicts of interest that are inherent in society. We should appreciate that social and power relations determine the social outcomes of economic growth. Reforms produce winners and losers and social and power relations determine who the winners and losers are. Strategies that deal effectively with poverty, inequality and injustice often require shifts in the balance of social and political forces. Failure to recognize this fact has often led to wasted efforts at reforms. Progress is made at the macro level which is not transmitted to the micro level. The main orthodoxy fails to recognize the forces that maintain the various disconnects between the various tiers of the economy. Economic reform not associated with social and political reforms is often unsuccessful in developing societies. Political economy allows us to disaggregate the effects of development processes and policy on different social groups, and provide a rigorous framework to stress the importance of participation and empowerment. It allows us to locate the most viable forces for reforms. Unfortunately global forces behind reforms in third world countries tend to form alliances with the most reactionary forces in these societies to drive reforms. Despite insistence on democratization and good governance, the forces behind globalization ally with the ruling elites in these countries whose interests are often at odd with those of the majority of the population. Various groups are in conflict because they have different and opposed interests in the changing process of production and appropriation. This struggle is an inevitable outcome of the basic contradictions arising from the nature of production.

Central to all societies is the process by which their members produce or acquire and distribute the goods and services necessary for their survival and reproduction. The economy is organized so as to ensure that the material needs of society are met. Through changing production processes based on available technology and natural resources societies have been able to create complex economic bases for advancing the material condition of their members. The key elements determining the nature of society are the forces used to bring about productive activities, the level of production and the social relations of production. The emerging economic base at each stage is associated with new sets of productive relations. The dominant group in society controls production relations and

in most societies uses such control to exploit weaker groups. The dominant group/class often consists of various fractions and strata, with conflicting interests, but united in their quest to exploit other classes. Hegemony is often exercised by the major fraction of the dominant group. The instrument of domination is the state. The state has often provided the avenue through which ruling elites manage their common interests. Invariably this is done at the disadvantage of weaker groups and oppressed majority. We need to understand these realities to appreciate why reforms have failed to address poverty on a global and local scale. The class character of the state responsible for reform is as important as the logic of reform itself. The ability to build consensus across social classes for reform is critical for success.

Case for Reforms

The case for reforms in Nigeria is rooted in the persistent crises of the Nigerian economy and society which had left the average Nigerian at the turn of the century worse off than he was at independence. Economic, social and political crises have characterized Nigeria since the 1980s until the last few years when the current reforms were articulated. Nigeria's economic crisis over the years manifested itself most clearly in the disintegration of the productive and infrastructural facilities, the increased level of poverty from the 1960s and the growing marginalization of the majority of her people. Agricultural output and particularly food production per head has been substantially reduced from the high levels of the immediate post-independence period. At present most of Nigeria's industries are operating much below their installed capacities. The physical infrastructure built during the immediate post-independence era, had, to a large extent, deteriorated due to poor maintenance and lack of renovation and new investments. Social services and welfare, especially education, public health and sanitation, housing and potable water, had rapidly deteriorated. Efforts, through various programmes and schemes did not materialize into the transformation of the social sector. The emergence of a monocultural economy, following the gradual demise of the leading role of agriculture, created serious problems for the stability of the economy. Nigeria has been confronted with a host of adverse external economic conditions, particularly with respect to the collapse in the prices of primary commodities, mounting external indebtedness and decreasing net flows of public and private resources. In other words the collapse of the Nigerian economy despite the huge resources accruing from the oil sector makes a case for reforms.

The history of growth in Nigeria has been generally disappointing. The country tottered on an average growth rate of less than 3% per annum for most of the three decades following the discovery and exploitation of oil up till 1999. The last phase of the crisis of the economy traced to the sharp fall in the international oil prices in the early 1980s began with the virtual collapse of the economy. This clearly reflected the weakness of the structure of the economy. The large windfall gain from the quadrupling of

crude oil prices in 1973-74 enabled the country not only to expand the public investment almost three-folds over subsequent years but also to build up its foreign reserves. Nigeria was not able to effectively manage this windfall. The investments made and the massive expansion of government expenditures was not sustainable. The quality of management of resources was questionable. Clearly the culture of exploitation inherited from the colonial economy was entrenched and worsened by the ruling elite. The state became the major vehicle for private expropriation of national wealth. The elites captured the economy and grossly mismanaged it to their advantage. Public enterprises became drain pipes through which the elite stole public funds. The fundamental restructuring which is required to liberate the economy from the clutches of the tiny minority that continue to bleed it dry was resisted. Contestation for power which assured access to national wealth intensified and the country witnessed military coups and counter-coups which shifted the hegemony of the ruling class from a faction to the other. The result was always disaster for the oppressed classes. The inability of successive military administrations which often came to power on the basis of poor performance of the economy to address the fundamental problems of the economy worsened the situation. Even with the crisis of the 1980s the political class was unable to check its expenditure. As a result the foreign debt which was considered unnecessary during the oil boom became a veritable source of financing the country's external obligations and bridging the resource gap for the country's development. Various macroeconomic indicators show the depth of the crisis. The growth rate of real GDP between 1981 and 1985 was -0.18 percent indicating the intensity of the crisis of the early 80s.

Nigeria accepted to restructure the economy in 1986 with the introduction of SAP. The government committed itself to a market based, private sector led, liberal economy in which the state would provide the enabling environment for private initiatives while withdrawing from direct productive activities. From this point on the question became how to hand over the economy to the private sector when oil revenue still accrued solely to the state and where political power was concentrated with the state sustained by the flow of these resources. What adjustments would the military/political class have to make to retain power over the control of national resources? The military introduced a Structural Adjustment Programme (SAP) in line with the prescription of international finance institutions without resolving this dilemma. This was supposed to be a far-reaching reform programme that was to address the issue of persistent disequilibrium of various sectors of the economy. The conditionalities were standard prescriptions of the International Monetary Fund (IMF) and the World Bank and Nigeria applied them. There was an initial improvement but the economy soon slipped deeper into trouble. The growth rate of the real GDP, on the average, was 0.93 percent between 1989 and 1994. The rate has continued to fall since then, from 8.2 in 1990 to 2.9 in 1992 and 1.3 percent in 1994. The real growth rate was estimated at 2.5 percent in 1995,

4.3 percent 3.6 percent and 2.3 percent for 1996, 1997, and 1998 respectively. The rate of inflation was very endemic during the SAP period with the exception of 1987 and 1990 when inflation increased by 10.2 and 7.5 percent respectively. For other years, the growth rate of inflation was unprecedented, especially for 1988 and 1993 when inflation rates increased by 56.1 and 57.2 percents respectively. The inflation rate was 72.8 percent in 1995 but was reduced to 15.8 percent by 1998. Inflation was one of the bitter experiences of the poor during this period. Real incomes for most groups declined rapidly as the rate of inflation soured. Workers in both the public and the private sector most of who were faced with wage caps saw their wages insufficient to meet basic needs. It is generally observed that during this period the middle class was wiped out. Those who controlled power were able to expropriate huge resources and lived in opulence while the weak became weaker. Capacity utilization in the manufacturing sector decreased from pre-SAP level of about 40.0 percent to the 1989 level of about 25.0 percent. Industrialists were squeezed out of the economy as local merchants prospered. Economic liberalization opened the doors to imports and traders had a field day. Local investors had to revert to trading to keep alive. Although the dominant segment of the ruling elite was the military, a group of hangers on in alliance with the military entrenched a culture of corruption and mediocrity. During the SAP period, the financial sector seemed to have responded to the various changes put in place such as the deregulation of the interest rate resulting in an increase in the number of financial and non-financial institutions. But the financial sector also experienced several policy reversals, for instance, in 1991 and 1994 resulting in serious distress in the sector. The sector was however not developmental. The ruling class saw the opportunities provided by monetary policy to establish financial institutions which simply extracted surplus from the system without promoting economic growth and development. Financing trade and LPOs based on government contracts these institutions simply became another instrument of surplus extracted for a parasitic ruling elite. The role expected of the financial sector of growing a strong and virile private sector never materialized. Huge profits from activities other than banking, round-tripping in the foreign exchange market and manipulation of huge public sector deposits characterized the system. A sector which in industrial economies grew private enterprise in Nigeria tended to undermine it with very high rates of interest and inability to finance long term investments.

As part of the conditionalities of SAP, government had to pursue a credible privatization programme. This was to be in line with the ideological position of SAP of reducing the size of government and handing over the commanding heights of the economy to the private sector. Justification for privatization in a situation where the enterprises were merely a conduit pipe for primitive accumulation is easy to find from virtually all angles. These enterprises had become a major drain on public funds. By 1993, over 86 enterprises had been privatized under the

adjustment programme, mostly through public offers on the Nigerian Stock Exchange. The process however slowed down as ownership of key enterprises became of particular interest to the ruling elite. Sections of the class recognized that with the downsizing of the state and the increase economic power of other segments of the class through ownership of priced public assets there would be a shift in the balance of forces. The privatization process became sensitive. Basically the process simply widened the income and asset gaps in society despite efforts made to broaden participation in the privatization process. The majority of Nigerians had very little to do with the process as it became a struggle of the elite to grab public assets. Government stalled by delaying putting in place the required legal framework for a number of major enterprises. Debt overhang grew during this period. At the end of 1998, the stock of debt disbursed and outstanding stood at an estimated US\$28.8 billion, with the Paris Club of creditors owed some \$17.7 billion representing arrears. The country had built up large fiscal and external deficits which was certainly undermining the future of the economy.

Despite the policies put in place by successive governments the various imbalances and distortions which characterized the pre-SAP economy persisted. The adoption of the Structural Adjustment Programme (SAP) met with only limited success. Despite over a decade of SAP, the country was still characterized by distortions and market imperfections which SAP was aimed at eliminating. In addition to domestic policy shortcomings in the articulation of adequate transformation strategies, Nigeria was confronted with a host of adverse external factors. As a non-industrialized country the continuous worsening of the international economic environment, particularly with respect to the collapse in the prices of primary commodities, and instability of the price of oil had serious consequences for our growth potentials during this period. It is not surprising that Nigeria was ranked as one of the poorest countries of the world at the end of this period; The military, which was in power for most of this period, was completely incapable of reversing the massive decline in the economy. By this time the military had lost almost all vestiges of credibility. The Nigerian state had become very weak due to the loss of legitimacy in the eyes of the population resulting from the massive plundering of the economy, corruption, lack of accountability[^] and transparency, human rights violations, increased poverty and the harsh social climate sustained by the military. The politicization of the military undermined its authority. The military, however, retained its solid grip on society. Backed by a political class that stood to benefit from it, the military facilitated private accumulation of national wealth by a tiny segment of society. Because the military was not ready to give up huge oil revenue to other segments of the ruling elite it never wholeheartedly adopted a genuine adjustment programme. If the pre-1986 regimes judged against the background of national planning failed/those of the post-1986 judge against the background of liberalization did not succeed. Structural adjustment

programmes in developing countries often failed to achieve their objectives in terms of stimulating economic growth and rural development.

Lessons from Structural Adjustment

For about 20 years Nigeria was subjected to a series of adjustment programmes and reforms, which had little impact on the population. Starting from the economic recovery programme of the early 1980s to SAP, efforts were made to move the economy to a sustainable growth trajectory. The objective outcome judged by the concrete reality on the ground shows that the level of poverty and marginalization have, in fact, been on the increase despite these programmes. What lessons should the current reforms learn from this long history of adjustments and reforms? Adjustment is best considered as the implementation of comprehensive reforms of macro and micro policies, in response to various shocks, and to rectify inappropriate past policies that have hampered economic performance. In this regard current reforms in Nigeria have an adjustment element. The limited success of SAP must be of interest in implementing current reforms. Some of the problems identified as contributing to the limited success of adjustments in the past include persistent macroeconomic policy inconsistency, instability and policy reversals and conflicts of macroeconomic policy goals. The role of the state is also identified as a limiting factor in that public sector dominance in production and consumption limited the space for private sector development. Pervasive rent-seeking activities and corruption was facilitated by government being the hub of economic activities intensifying the weakness of the private sector which was not ready to take the necessary business risks to grow the economy. Some foreign investors took advantage of the failed situation to further worsen the Nigerian case. The state was characterized by weak institutional capacity for economic policy management and coordination, waste, an over-bloated public sector, high and unsustainable public expenditure pattern, distorted budgeting system which undermined the adjustment process. The nature of Nigerian federalism, which during this period, was over centralized witnessed little coordination among the tiers of government. Infrastructure inadequacy and decay, high debt stock, lack of transparency and accountability in the management of the economy also contributed to failure.

SAP like the current reforms is conceived round market forces and an efficient market mechanism. We have learnt lots about markets in developing countries over the last 25 years. Governments certainly failed to understand the nature of markets in general and particularly in concrete local and national setting. Policy makers accepted the “one-size-fits all” approach advocated by international finance organizations and considered the market as a perfect mechanism for resource allocation. In 25 years we have come to learn that markets are not necessarily always perfect and that market failures in critical areas of third world economies are common. Market signals have been shown not to affect farmers in the rural economy where strong middle men operate. Evidence shows that in countries where

structural adjustment did yield social and economic gains at least for some times, they took great pains to adapt policies to local conditions. Rather than promoting the unfettered play of market forces, they combined elements of economic liberalization with some degree of control over certain key prices in the economy, such as exchange rates, and selected goods and services. They promoted local investment and maximized the impact of foreign investment. The Nigerian experience was far from these. During SAP we witnessed the virtual halt of investment and the closure of factories all across the country. Capital accumulation which is crucial for capitalist development was undermined. The merchant class became the dominant fraction of the ruling elite. Everyone in the group tried to become an importer. Although SAP set out to liberalize the economy and create markets it ended up distorting some markets because of the class character of the reformers.

In the 1990s, research on the social and institutional effects of structural adjustment programmes revealed serious problems linked to the weakening of some state institutions. There was initially the wrong assumption that redefining the role of the state was necessarily weakening state institutions. The SAP experience now shows that strengthening the state to enable it perform key functions in the economy and provide the enabling environment for private initiative is critical for success. Wide capacity gaps in government today limit its ability to fully implement reform policies. The question of strengthening state capacity and the role of democratic institutions in policy making have become central in efforts at reforms. We learnt from SAP that people's participation and collective action was lacking and this to some extent undermined the legitimacy of the programme. Most people saw the programme as an external imposition which was meant to serve the interest of external forces. At best they identified it as an oppressive means of the ruling class to continue to deny them a share in the nation's economic resources. Our experience from SAP suggests that popular democracy is critical for success of reforms. Current reforms have to take account of the democratization of policy making and strive to build popular support for reforms. It must pay attention to the role of democratic state institutions. The lesson is that at an analytical and ideological level we have to recognize the role of the masses that have been marginalized in the past. We have to give them a voice in the policy making and implementation process. We have to identify the genuine social and political organization of the people and catalyze them to drive the change process. We have to avoid social exclusiveness and empower people to feel the sense of belonging. The SAP experience has made it clear that we have to focus on democratic forces and institutions for change. We cannot build consensus around reforms when we ignore the social and political organization of the masses. Under SAP the ruling group could not even build consensus among themselves. Groups were committed to power rather than policies. From the mid-1980s various UN agencies clamored for 'adjustment with a human face' as they observed the social impact of

adjustment policies. It was becoming clear that what was initially considered transitional or short run adjustment costs were becoming permanent features of adjustment. In many cases the social impact of policies had serious negative consequences particularly on the poor. The World Bank and the International Monetary Fund (IMF) responded with social safety nets and social funds. According to research outcomes safety nets “and targeting the needy had largely failed to address the social consequences of structural adjustment. In virtually all countries where the social safety nets were put in place they were not sustainable partly because they were donor driven and partly because the real issues were about the adjustment policies themselves.

Our experience of SAP has also drawn our attention to the meso economy. We witnessed a massive disconnect between the macro economy and the micro economy which though was structural and sustained politically, had policy implications. We now have to clearly establish analytically the links between the macro economy on the one hand and the micro economy of households and enterprises on the other. Failure to do this in the implementation of SAP cost the programme heavily. This link informs the sequencing of policies and set the framework for prioritization of projects. The meso economy comprises; markets - both product and factor markets- taking account of formal and informal markets; and infrastructure, this consisting of economic infrastructure (roads, communications, and irrigation) and social infrastructure (health and education services). Massive deficiencies were experienced in these areas under SAP. The households will not benefit from the gains made at the macro economy if a healthy meso economy is not in place. Effective markets, and other resource allocative mechanisms, provide the most direct link in a market economy between the macro economy and individual households. Reforms alter market conditions by changing relative prices. Relative price changes affect different social groups differently. Removal of subsidies, deregulation of domestic petroleum prices, exchange rate and interest rates deregulations all affect the market conditions faced by the households. Distortions in these markets affect signals and undermine reforms. Economic infrastructure is a critical part of the meso economy. Its provisions are directly determined by macroeconomic policy, including public expenditures on physical infrastructure and support services. Problems with economic infrastructure were pronounced under SAP. Despite the huge resources expended on economic infrastructure it continues to pose a major obstacle to reforms. Rural roads are critical if primary producers are to be linked to urban markets. They cannot take advantage of relative price changes if they can not evacuate their products to the markets. Other infrastructure such as energy has also constrained the ability of household to engage in simple economic activities. SAP has shown that the effects of market changes on the incomes of individual households will be conditioned by economic infrastructure. Social infrastructure, consisting of health, education, nutrition support, and other

transfers, affects the returns households obtain through market opportunities. These services also have direct effects on household welfare, especially in the case of health services. Investments in the social sector are not inferior to those in the economic sector. The meso economy is critical for the success of reform and should inform the sequencing of policies and prioritization of expenditure.

Conceptual basis of Reforms

The world economy is currently driven, mainly by a neoliberal ideological backed by dominant global forces. With the collapse of the Soviet Union we now have a unipolar world driven by western industrial countries represented by the G8 group of countries. Driving the globalization process, countries across the world are encouraged to be part of this process to benefit from global support. Globalization posits that economic growth is best achieved in a world of free markets and competitive advantage. It is associated not only with increasing economic interdependence and the apparent contraction of space and time, but also a new orthodoxy related to macroeconomic policies. Based on the neoclassical school of thought which advocates that countries should allow markets to allocate resources free from government intervention the dominant paradigm pushes for the rule of market forces. The new orthodoxy of the 1980s associated with neoliberalism highlighted the potentially positive developmental impacts of deregulation, privatization and export orientation, as well as foreign direct investment led by transnational corporations (TNCs). This of course means removing structural impediments in the economy, getting prices right, privatization, banking sector reforms, tax reforms and many other such measures. The thrust of these policies is to open up economies to global capital. For developing countries they are required to put in place the proper legal framework to protect private property rights and protect foreign investments. The process of global capital accumulation is to be given universal access to position it as the driving force of an integrated global economy. At the national level this implies linking one's economy to the global economy. This ideology has evolved gradually over time and is a crystallization of global trends dictated by changing global balance of forces. The harmonization of the conceptual basis for reform is imperative if countries are to belong to the same global process. The rule of the game has to be harmonized to allow free movement of capital. International finance organizations, the World Trade Organization (WTO) provide the institutional framework for the propagation and enforcement of the rules.

For Nigeria the acceptance of the neoliberal ideology was a logical outcome of the class nature of the state and the character of the dominant forces in society. Since the early 1980s successive governments have pursued policies in line with this ideology even if on numerous occasions government commits itself to a self-reliant, people oriented, egalitarian economy guided by a spirit of social justice. The implication of the

neoliberal ideology is that the economic development of countries like Nigeria would result from changes in certain economic fundamentals, such as how effective the operation of market forces are, how deregulated the economy is, how free foreign capital can move in and out of the economy and how free private enterprise is allowed to flourish unhindered by encumbrance of state activities. Markets and large corporations not the state become the purveyors of development and modernity. In reality, the challenge in Nigeria today is contextualizing the logic of this ideology. It is clear that markets alone cannot deliver development evenly across regions, countries and social groups. Global markets have not favoured developing countries as they discovered under WTO. Domestic markets have not favoured the poor and the weak as the widening income gaps and poverty have shown.

Markets are central to the neoliberal paradigm. The paradigm is based on the workings of a free market economy. Markets do not, however, exist in the abstract. The interaction of social groups, social relations and the cultural context play a major role in the way resources are allocated and their distributional and development impacts. In developing societies the balance of social forces, values, and relations with the world economy have profound impacts on the way markets work. In domesticating the neoliberal paradigm in Nigeria we need to understand these social forces, the value system and our cultural context. Markets in Nigeria are certainly not harmless impersonal abstract mechanisms ready to allocate resources effectively and evenly to the benefit of all. We are challenged to see markets as socially and politically constructed thus responding to social and political forces. So “getting the prices right” might not necessarily solve the basic problems of development. It might not address the fundamental contradiction in society that undermines genuine development and the empowerment of the population to actively take control of their destiny; Changes in relative prices might not be enough to transform the rural economy and mobilize resource for poverty reduction. Understanding markets is crucial for the domestication of the neoliberal paradigm. We have to understand the role of a wide range of institutions that define who can participate in a market, how property rights are defined and enforced, and the process of exchange itself. Governments obviously play a crucial role in the definition of rights and obligations.

A major change in many developing countries is the redefinition of the role of the state. The relationship between the market and the state has undergone major transformation in recent decades, in the context of globalization and the collapse of the Soviet communism. The state had failed to drive development on a sustainable basis even under communism and has done worse in developing countries that tried to follow a similar path. The intellectual argument against state intervention gathered strength in the 1980s and coalesced to form a powerful neoliberal ideology. After years of neglect, however the role of the state as a key actor in development strategies is once more firmly on the international agenda. Even the most

reactionary section of the global force behind globalization now recognizes that the state in developing countries must do more to stabilize these economies. This role is conditioned, however, on both efficiency and good governance. Mainstream development institutions and the so-called post Washington Consensus recognize the state as a key element in reforms. The private sector is however a key pillar in the neoliberal framework. The private sector is expected to drive the economy. This means empowering the private sector to take up this responsibility. In the 1990s neoliberal orthodoxy was broadened to include new institutional arrangements associated with corporate responsibility and public-private partnership. This is in response to the deteriorating social condition of people under this regime. Economic liberalization not only created new business opportunities and rights for private firms, it also increased the capacity of private investors and corporations to influence government policy.

In domesticating this ideology Nigeria has to face some realities. Neoliberalism has dealt a major blow to social development as experiences in other countries have shown. There has been a general tendency of sidelining social policy. The deregulation of the economy and downsizing of the state often weakened the role of the state as a public service provider and regulator replacing it with the market which has not in all cases been a viable alternative. Markets in many instances have clearly failed to solve social problem. The poor in particular has been most affected. The social situation of many people in developing countries has worsened with reforms. Standard policy packages often suggested by neoliberal strategies have been shown to have very different outcomes in different societies and localities. In different societies measures intended to benefit one group have indeed benefited another. The target group of some of these policies are not reached because of peculiar internal structures and relations. In other cases it has been found that incentives that aim to encourage a specific response have had the opposite effect. In most cases it is the weak and the poor that are most affected. Women and children are also most vulnerable in many of these societies. Research has shown why policies need to be grounded in an analysis of real societies and real markets, and adapted to concrete local and national setting. This is crucial if reforms even when informed by neoliberalism are to succeed. Blind adoption of policies that are expected to have standard outcomes in all societies could be costly. More recent trends in the world economy, associated with financial crisis and declining or prolonged low growth rates, have prompted re-examination of the relationship between economic growth and social development. There is now growing interest in the way in which growth can serve poorer social groups, and also how social policy can stimulate growth. Faith in the so-called 'trickle-down' effects of growth has faded and the case for government policies directed at improving the opportunities and livelihoods of low-income and other disadvantaged groups, in urban and rural areas is now becoming popular.

National Economic Empowerment and Development Strategy (NEEDS)

The Economic Empowerment and Development strategy (NEEDS) was articulated in response to the experience of past-reforms and structural adjustments. The justification for reforms was provided by the performance of the economy and the persistent crises which continued to undermine the welfare of the Nigerian people. The NEEDS, in collaboration with the State SEEDS, constitutes the reasoned response to the challenges of underdevelopment. NEEDS is premised on three pillars. Empowering people, promoting private enterprise and changing the way government does its work provide the three pillars of NEEDS. This programme is based on the lessons learnt from the implementation of past policies. It is also a marked improvement on previous programmes in many respects. It recognizes that major transformations are needed. It acknowledges that the country must be refocused and core values reinstated. It notes that good governance is central to reforms and that social and political stability are necessary for success. It recognizes that reform must take place at all levels of society and must be owned by the people. By empowering Nigerians it-hopes that wealth creation across society would reduce poverty and enhance self-reliance.

NEEDS is anchored on the imperative to restore the fundamental values of Nigeria which have weakened over the years. According to the Vision 2010 Main Report, “Nigeria is a multi-ethnic society, with a value system that derives from the diversity of its people, religion and cultures. The elements of this value system include respect for elders, honesty and accountability, cooperation, industry, discipline, self-confidence and moral courage”. These are the fundamental values upon which NEEDS rests. More specifically, the Strategy hopes to lay a solid foundation for a national self rediscovery and strong values based upon:

- Enterprise, competition and efficiency at all levels
- Equity and care for the weak and vulnerable
- Moral rectitude, respect for traditional values, and extolling of our culture
- A value system for public service that makes efficient and effective service delivery to the citizens
- Discipline at all levels of leadership

Reform is about people. It is about ensuring development of the people. NEEDS is articulated to empower the Nigerian people to create wealth and enjoy the good life. The idea is to create the capacity to mobilize local resources for growth and poverty reduction. Potential resources need to be transformed into wealth. We have to create new competencies and economic structures to facilitate poverty reduction and empowerment. NEEDS aims at creating in the country the skill and scientific knowledge necessary to meet the challenges of our time. Government intends

increasing its investment in people. It will spend more, and more efficiently, on primary education, basic health care, and nutrition. It will also enhance the development of technology and diffusion of technological progress. New technology will allowed resources to be used more productively, causing income to rise and the quality of life to rise.

As stated in the NEEDS document the primary goal of the NEEDS strategy is to build a private sector that can take advantage of the opportunities that abound in the domestic, regional, and global markets. NEEDS aims at consolidating and strengthening an enabling environment for a competitive private sector. Reforming the power sector could significantly reduce the cost of doing business and improve competitiveness. NEEDS is to strengthen the growing partnership between the private and public sectors, while advancing the policy of private sector-led growth. Improvement in security, the rule of law, and the timely enforcement of contracts would enhance the business environment in Nigeria. Reduction in policy-related costs and risks, such as corruption, red tape, and administrative barriers to business would also improve business environment. The resolution of the questions of a weak legal system; inadequate protection of property rights; inadequate enforcement of tariffs is the key to NEEDS. Agriculture, small and medium-size enterprises, manufacturing, oil and gas sector, solid minerals, and services (especially information and communication technology and tourism) constitute the key drivers for reform. Privatization and liberalization of public enterprise is also a major policy thrust of reform. Privatization of public enterprises is aimed at shrinking the domain of the state and enlarging the size of the private sector. It is also aimed at improving the efficiency and competitiveness of enterprises, leading to their long-term sustainability and contribution to poverty reduction. The liberalization of sectors hitherto monopolized by the government is expected to unleash competition by the private sector- and hence spur growth and employment generation. These positions are well articulated in the NEEDS document.

Another major aim of reforms is to create public-private partnerships. A resilient and competitive private sector is a key component of NEEDS. At the end of the day the private sector will be expected to become more proactive in creating productive jobs, enhancing productivity, and improving the quality of life. It is also expected to be socially responsible, by investing in the corporate and social development of Nigeria and by actively promoting the unity and cultural, educational, moral, and social development of the country. The private sector will be expected to take advantage of opportunities for rapid and sustainable growth of a diversified economy with a modern agricultural sector, an export-led industrial sector, and an efficient and competitive service sector in line with Nigeria's competitive advantages. Nigeria's public sector grew tremendously over the years. Corruption, failure and virtual collapse of governance, the erosion of procedures for accountability, and the

prevalence of bad leadership became the hallmark of the state. Good governance is a first step to poverty reduction. Evidence abound that Nigeria has suffered from financial abuses in the past through corruption, lack of accountability and transparency. Current reform policies in Nigeria have given high premium to addressing these problems. Reforms of government budgetary practices, due process mechanism, due diligence in public procurement, EFCC, ICPC are key elements of the current reform agenda that has already yielded fruits and improved governance in Nigeria. The public sector will emphasize reforms that lay a solid foundation for a prosperous and globally competitive private sector.

Impact of Current Reforms

At the outset of the present democratic regime Nigeria was confronted with increasing poverty, increased disintegration of the productive structures, low capacity utilization by industry, poor access to farm inputs by our farmers, decaying infrastructural facilities and increased marginalization of the population. NEEDS builds on the progress made during the first phase of the new democratic dispensation (1999—2003). Government has been able to deliver significant democracy dividends to the people. Nigeria has been successfully re-integrated into the international community and not only provides effective leadership under NEPAD and within ECOWAS but also within the Commonwealth of nations. Electricity generation has more than doubled. The telecommunications revolution has increased the number of telephone lines from about 400,000 in 1999 to about 3 million in 2003 and even more today. The various initiatives in agriculture have resulted in marked improvement with the FAO in 2003 declaring that Nigerian agriculture grew by an unprecedented 7 percent. Industrial capacity utilization has improved. Foreign direct investment in the non-oil sector has grown from almost zero in 1999 to no less than US\$ 2 billions in 2003. Consequently, the income level has grown by an average of 3.6 percent- in the period 1999—2003 (as against the average of 2.8 percent with zero per capita income growth in the 1990s). The rate of unemployment declined from 18 percent in 1999 to 10.8 percent in 2003 (with estimated 3.5 million new jobs created during the period). Real wages have significantly gone up since 1999 thereby reversing the downward spiral in real income of workers that began since the 1980s. This was the consequence of the wage hike in 2000 as well as the efforts to moderate inflation.

The above table shows some selected macroeconomic indicators in the last few years. It is clear that improvements in the economy have been recorded since the current democratization process was put in place. The social indicators on the table however still shows element of stagnation. The incidence of poverty is said to have reduced from 70.0 percent in 2000 to 54.4 in 2004. This information is contained in the recently released Nigeria living standard Survey of 2003/2004 by the Federal Office of Statistics (FOS). NEEDS is on track. Its targets are within reach. Critical to reaching

these targets is improvement in power and other infrastructure, general reduction in the cost of doing business and more conducive investment environment, including security of life and property. Progress has been made in all these areas. High growth is expected in the primary and secondary sectors, particularly agriculture, manufacturing and solid minerals. The manufacturing sector for example is expected to grow by at least 7% over the 2004 to 2007 period, while agriculture is expected to grow consistently by about 6% between 2004 and 2007. Owing to the reordering of priorities, the growth in a number of sectors may not be as spectacular as the growth in the primary sector. Overall, projections of the framework for the growth of aggregate output for the four years of NEEDS are 5% for 2004, 6% for 2005, 6% for 2006 and 7% for 2007. Output in the oil and gas sector is expected to remain unchanged in medium. On the other hand, the non-oil sector which is the major target of the diversification effort of government will be boosted and growth in the sector is expected to improve from 6.8% in 2003 to over 9% in 2007. Despite the progress so far, the challenges are still daunting, with the result that Nigeria faces a threat of not meeting the Millennium Development Goals if further major steps are not taken.

Selected Macroeconomic Indicators

Indicators	1999	2000	2001	2002	2003	2004
Domestic Output and Price						
Real GDP Growth Rate	0.9	5.4	4.6	3.5	10.2	6.1
Oil Sector	-7.5	11.3	5.2	-5.7	23.9	3.3
Non-Oil Sector	4.4	2.9	4.3	7.9	4.5	7.5
Manufacturing Capacity						
Utilization	35.9	36.1	39.6	44.3	45.6	45.0
Gross National Savings (% of GDP)	21.6	23.1	11.3	15.6	13.6	15.3
Gross Fixed Capital formation (%GDP)	11.0	12.2	7.2	9.1	12.0	16.2
Inflation Rate (%K Moving average)	6.6	6.9	18.9	12.9	14.0	15.0
Inflation Rate, (%) (Year-on-Year)	0.2	14.5	16.5	12.2	23.8	10.0
Social Indicators						
GDP per Capita (N)		39851.5	44228.0	45317.8	57992.3	67137.
GDP per Capita (US\$)		388.1	390.3	369.0	440.7	493.2
Life Expectancy at Birth (years)	54.0	54.0	54.0	54.0	54.0	54.0
Adult Literacy Rate (%)	57.0	57.0	57.0	57.0	57.0	57.0

Human Development Index	0.4	0.4	0.4	0.4	0.4	
Incidence of Poverty		70.0				54.4

Source;. CBN Annual Report and Statement of Accounts 2004

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Sustaining Reforms

There is need to sustain the current reforms if present gains are to be consolidated and further progress made. Government has decided to articulate NEEDS II at the end of the current programme in 2007. NEEDS II will continue to do those things that has been done well in the current programme. Success of the current programme would be enhanced and strengthened in the follow-up programme. The learning process of the last four years and the lessons of SAP will certainly strengthen NEEDS II. Generally we should expect reforms to focus on people-centred policies and raise more questions around certain aspects of modernization and economic development. NEEDS II should promote and strengthen a pattern of development that is economically viable, socially inclusive, and democratically based and that is particularly relevant to the ongoing government efforts to promote sustainable development, poverty reduction

and good governance. It must scrutinize mainstream orthodoxies and policies and approaches to development and propose innovative solutions. NEEDS II should focus on welfare, equity and human rights. It should recognize that each human being has the right to a decent level of living; people should be allowed to participate in decisions that affect their lives. In preparing NEEDS II we should be mindful of the relationships between various types of social development and economic development. We must be concerned with the fact that decades of postwar economic growth had been distributed very unevenly, both geographically and socially, particularly in the “third World”. The programme should not interpret development narrowly in terms of economic growth while marginalizing social dimensions, democratization and human rights as is done in mainstream policy making. The outcome of rigorous examination of the relationship between economic and social development and the impact of development process at the local level should form an important input into NEEDS II. It should continue to be guided by a holistic and systemic perspective which has been particularly important for understanding the interrelationships between different dimensions of development. This requires overcoming the fragmentation of development policy and analysis by emphasizing multidisciplinary and integrative approaches to reforms.

There is skepticism that liberal democratic institutions in a dependent and peripheral economy like ours would deliver pro-poor policies in the absence of effective popular participation. We have to recognize that there still remains a certain distrust of the state, political parties which continue to fuel this skepticism. We must deepen our democratic process and create space for all classes of Nigerians. We must recognize the social and political institutions of the poor and marginalized in reshaping our democratic practice. Reforms to be owned by the people must be based on the social and political realities of the people. A representative, transparent and participatory democracy can provide an environment for tackling issues of human welfare and social cohesion. At the core should be popular participation, which is essential to empowering disadvantaged groups and improving their livelihoods, and for shaping government policies that are responsive to those groups. The state must be more inclusive extending access beyond the political class and the ruling elite. Social exclusion and marginalization should concern policy makers. NEEDS II should while recognizing the pressure of globalization, emphasize social policy and democratic state institutions in development. It should examine ways of better integrating social and economic policy, appropriate institutional arrangements for public service provisioning, and the types of political arrangements and balance of social forces that underpin an effective social policy. We must strengthen democratic institutions and reform initiatives that affect the composition and management of the public sector in multiethnic society characterized by diversity, inequality and social tension.

NEEDS II must promote policies to increase social integration that favours the creation of a more just and equitable society. From this perspective it is necessary to address various limitations against social inclusiveness. Good reform policy needs to take into account the forms of social organization, networks, coping strategies and cultures of disadvantaged groups. We should recognize that various social groups could have interests that conflict with those of other groups and consensus is often needed for social harmony. It is important to understand that disintegration of existing systems of social relations and transformation of power structures may be essential before progress toward a more just and equitable society. NEEDS II in collaboration with State and Local Government reforms must be prepared to engender such transformation where necessary. Research into the structural causes of social exclusion which facilitates the growing inequality and persistent extreme poverty is essential as input into NEEDS II.

Economies have become more open, and governments have adopted policies of market liberalism. There is need to understand the importance of the capacity of representative institutions to hold governments accountable in economic policy making. As private interest drive the economy, representative institutions must have the capacity to exercise crucial oversight functions not just on the policy making process but also on the collaboration between private interest and the state in the management of the economy. Because many institutions of the state have been weakened by economic crisis and stabilization programmes, they have sometimes been unable to meet their social responsibilities, including the delivery of services, management of conflicts and democratization, representative institutions must ensure that these capacities are built and the social responsibilities of both public and private institutions are met.

The role of the state should be reconsidered in the development process without undermining the ideological basis of reforms. Reforms in no way diminish the role of the state in the promotion of economic and social development of the nation. We need, however to revisit the nature and character of the state. During the colonial period, merchants, traders and professionals sought political power as a condition of furthering their economic interest against their colonial masters. State power gave them access to a share in the profitable, opportunities offered by the neocolonial economy, and they were able to establish themselves as the ruling elite after colonialism. In the neocolonial economy success in business enterprise depended on the favour of the state. The contest for political power became very important to capture economic power. Politics became a zero-sum game, in which opposition was ruthlessly suppressed. The state was taken hostage by a bankrupted political class that saw it as a vehicle for private appropriation of national wealth. Sharing of Federal revenues, derived mainly from the oil sector became very contentious. There is need to free the state from a political process that is so exclusive that it cannot truly represent the people. The state must be an embodiment of the people's

aspiration, protecting their interest and facilitating social justice. The Nigerian state has failed to resolve the contradictions inherent in the neo-colonial political economy. It failed to regulate relations between foreign capital and indigenous capital in such a way as to ensure a virile domestic capitalist class capable of driving capitalist development. It failed to weld the ruling elite into a coherent unit, able to facilitate orderly development. The military tried and failed to do this. Despite their command structure they were unable to build a coherent state in Nigeria. The military in 1970 in the second National development Plan pledged to establish Nigeria as; a united strong and self-reliant nation; a great and dynamic economy; a just and egalitarian society; a land of bright and full opportunities for all citizens; a free and democratic society. Since then successive regimes and our various constitutions have adopted this pledge but to date the state has failed to establish a just and egalitarian society. NEEDS II should face up to this challenge by putting a premium on reducing inequalities in inter-personal incomes and promoting balanced development among the various communities in the different geographical areas in the country. It should reorganize the nation's economic institutions in such a way that there is no oppression based on class, social status, religion, ethnic group or state. In other word create a new state that is coherent and truly represents the totality of Nigeria's aspirations and her peoples of all classes and gender. A state should be created that can challenge age-old contradictions in our political economy. The state should be responsive to popular needs, guided by the disinterested expertise of educated, patriotic elite capable of strategic re-thinking of our development paradigm.

Conclusions

There is growing concerns that African societies are losing livelihood systems and institutional arrangements that historically, have provided some degree of social protection. Reforms and changes *from* modernization and globalization in many African societies are destroying old structures without replacing them with meaningful alternatives. Unfortunately the weak are bearing the main brunt of this development. Global pattern of growth is generating uneven development amongst and within countries. Reforms in developing countries seem to have intensified this uneven development. Reforms by redefining the role of the state have in many cases undermined some traditional institutions of social protection, redistributive policies, trade unions and certain community structures. By applying universal formulas and the 'one-size-fits-air approach that frequently characterizes international policy making and analysis social development has taken back seat in sequencing and policy prioritization in developing economies. African societies must be encouraged to adapt policies to local and national circumstances.

There is global consensus that each human being has the right to a decent level of living. It is expected that governments will manage economies in such a way that this right is enjoyed by all citizens. We are,

however, fashioning a world economy that is characterized by mass inequality in which peoples in different parts of the world are starving in the midst of affluence in other parts. The world, if it must go the way of globalization must begin to critically reexamine the logic of integration to ensure that basic rights of peoples around the world are protected. The interest in corporate social responsibility of the 1990s recognizes that as governments are encouraged to roll back the state in the face of the so called failure of the “welfare state” they are less capable of meeting their social responsibilities. In many developing countries this means that large populations are left uncared for. Yet in many of these countries reforms and adjustments are promoted which further marginalizes greater sections of society. More than 50 years after the establishment of the United Nations, however, there is no agreement on how the world is to achieve the right to a decent living for all peoples. We are presently subjected to the logic of neoliberalism which underpins the globalization process. Under this ideological regime we have observed less attention on the social development and the emphasis of the internal self regulating mechanism in economies that would ensure that markets solve major challenges in societies. The experience of the last three decades has shown that this has not worked well in different parts of the world. As long as we fail to recognize that markets are just much as social and political contraptions as they are economics so long do we continue to fail to understand why markets fail the poor in weak economies.

We need to build a broader consensus on development strategies, not just in individual economies but globally. The suggestion that globalization is the best option for development assumes that the conditions for effective participation in the process exist in all countries. Underlying the different concepts and approaches to development are very real conflicts of interest about which groups and individuals should enjoy resources and power. In Nigeria as in many developing countries the dominant section of the ruling class determines which groups enjoy resources and power. The result over the years has been the persistent crises that the country has been subjected to. The fact remains that the process of consensus building has been driven by the global balance of power. The influence of neoliberalism derived not so much from its intellectual soundness as from the ascendancy of political forces that support it. Research on the social implication of adjustment has shown that for developing countries the adverse effects of adjustment are in some cases responsible for increased poverty. Nigeria has put in place a reform agenda that seeks to address the fundamental problems of the economy and society. Reforms in Nigeria have made significant impact on the economy and society as shown by major economic indicators. The country has demonstrated the political will to drive and sustain reforms for high and broad-based growth and development. Sustaining the current reform programme would ensure that the gains made so far are consolidated.

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